

**Opening Statement**  
**Richard H. Baker**  
**Chairman**  
**Subcommittee on Capital Markets, Insurance and Government Sponsored**  
**Enterprises**  
**International Accounting Standards Hearing**  
**Thursday, June 07, 2001**

Today, we are exercising for the first time the Committee's new jurisdiction over accounting issues. Financial accounting and transparency are vitally important for investors, practitioners, and regulators and it is my intention to actively pursue this jurisdictional responsibility. We begin by reviewing efforts to harmonize international accounting standards.

Transparency regarding the financial condition of a company is a key component in investment decisions. Accounting standards are intended to serve investors by imposing a framework for financial reporting so that investors can evaluate and compare companies using a common language.

The United States capital markets are the deepest and most complex in the world. While there are very legitimate concerns about some of the rules, the markets consider U.S. General Accepted Accounting Principles, or G.A.A.P., the most comprehensive accounting standards in the world. Of course these standards are only used by companies filing financial statements here in our country.

The globalization of capital markets and new technology now more than ever allow U.S. investors to diversify portfolios and seek lucrative opportunities both here and overseas. Additionally, U.S. companies are able to find capital to grow from sources outside the country. However, without harmonization of accounting standards from country to country, investors face uncertainty when evaluating investment opportunities and companies face costly compliance with varying accounting standards when filing financial disclosures.

We must be careful in scrutinizing this process so that the playing field is made level across national borders and that the standards are effective and meaningful to the investing public. This does not merely mean the reconciliation of foreign standards to G.A.A.P. The hope is that the international effort to harmonize accounting standards takes the best ideas of the different national standards boards and is willing to do away with those accounting principles that unduly burden issuers and increase the cost of capital. Most importantly, this effort should be responsive first and foremost to the needs of investors and should consider the types and manner of disclosure they deem most significant.

I would like to welcome former Chairman of the Federal Reserve Board, the Honorable Paul Volker and commend him for his efforts in this area as the current Chairman of the International Accounting Standards Trustees. I look forward to hearing about their important work.

I would also like to thank the members of our second panel for their willingness to testify here today. Bob Elliot, a partner at KPMG here on behalf of the AICPA, and Philip Ameen, the Controller of General Electric here on behalf of the Financial Executives Institute, have both been very active participants in the harmonization effort as well.

I look forward to the testimony and support the important goal of establishing common accounting standards of the highest quality to facilitate the flow of good information to investors.